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BACKGROUND - ~~AFGHANISTAN~~

OPENING NEGOTIATIONS

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1. On 29 Mar '86, the American embassy in Kabul presented a US offer of \$10 million (half loan and half grant) as assistance in development of Afghan commercial airfields, purchase of aircraft, and airline operating services. Reconstruction of the Kabul airport and American management of airline operating services were important parts of the US proposal, and Pan American sent representatives to Kabul in late April to discuss taking over the existing local airline (ARYANA). In April, Embassy Kabul, together with the US Air Force, began preparations for a good-will airlift of pilgrims to Mecca this summer.

2. Prime Minister Baud, on 17 April, welcomed the US offer but admitted that the Kabul airport job had been "committed in principle" to the USSR. He suggested that the USSR and US might share the work there--the Russians building the runways and the US installing communications equipment and possibly constructing the administration building. After negotiations began, Baud decided that no detailed commitments on the Kabul airport could be made to anyone for the present.

3. Negotiations, still in progress, have been rendered difficult by the Afghan desire to devote all of the US \$10 million to aircraft and airfields development, while turning over to KLM (which is interested in taking over ARYANA) or some other non-US group the development of airline operating services. Negotiations have been in recess for the past week, but are due to begin again today (17 May).

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Hard Afghan bargaining, thus far, indicates that Kabul still feels it can afford to be independent in the matter, although the Afghans are probably eager to close a deal acceptable to them.

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